

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02

NSC-05 SS-15 STR-04 CEA-01 PA-01 PRS-01 AGR-05 SCCT-01

SAM-01 /111 W

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P 080631Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 759

INFO SECTREASURY PRIORITY

AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

AMEMBASSY ROME PRIORITY

C O N F I D E N T I A L CAIRO 3035

TREASURY PASS SECRETARY SIMON

E.O. 11652: GDS

TAGS: USEGJC EGEN EAID OVIP (SIMON, WILLIAM E.)

SUBJECT: SIMON VISIT: MEETING WITH PRIME MINISTER SALEM

1. ON MARCH 6, PRECEDING DINNER HOSTED BY PRIME MINISTER SALEM
IN HIS HONOR, SECRETARY SIMON, ACCOMPANIED BY CHARGE AND MESSRS.
SEIDMAN, PARSKY AND PECK, MET WITH SALEM IN LATTER'S OFFICE FOR
BRIEF DISCUSSION. SESSION WAS FOLLOWED BY LARGER MEETING OF
DELEGATIONS REPORTED SEPTTEL.

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2. SECRETARY SIMON BRIEFLY SUMMARIZED MEETINGS AND SESSIONS WHICH HAD ALREADY BEEN HELD SINCE HIS ARRIVAL IN CAIRO. HE DESCRIBED THEM AS VERY USEFUL AND DIRECT, REPRESENTING THE TYPE OF FRANK AND OPEN DISCUSSIONS WHICH CHARACTERIZED US-EGYPTIAN RELATIONS. HE UNDERLINED THAT ONE OF PRINCIPAL ISSUES RAISED WAS GROWING US CONCERN OVER LACK OF FOREIGN INVESTMENT IN EGYPT AND, SPECIFICALLY, ALMOST TOTAL LACK OF US INVESTMENT DESPITE EFFORTS EXPENDED BY BOTH GOVERNMENTS. WHILE CONSIDERABLE PROPORTION OF DISCUSSIONS HAD FOCUSED ON GOODYEAR PROJECT, SECRETARY SIMON WISHED TO ASSURE FULL UNDERSTANDING BY THE EGYPTIANS THAT THE COMPANY SERVES ONLY AS EXAMPLE OF A LARGER PROBLEM. GOODYEAR IS PRESTIGIOUS AMERICAN FIRM WHICH HAS CAREFULLY PREPARED STUDIES OF ITS ENTIRE PROJECT OVER LONG PERIOD OF TIME. FAILURE TO OBTAIN APPROVAL OF THE PROJECT, WHATEVER REASONS ARE ASCRIBED, WILL LIKELY HAVE UNFORTUNATE EFFECT ON ATTITUDE OF OTHER US COMPANIES, AS WELL AS OVERALL INVESTMENT CLIMATE.

3. PM STATED THAT HE COMPLETELY UNDERSTOOD SIGNIFICANCE OF GOODYEAR AS ILLUSTRATIVE PROJECT, BUT EGYPTIANS CANNOT STOP OTHER COMPANIES FROM COMPETING, E.G., MICHELIN, AND IF THEY CAN PROVIDE PROJECTS MORE SUITABLE TO ECONOMIC SITUATION IN EGYPT, SUCH PROJECTS MUST RECEIVE FULL CONSIDERATION. KEY OBSTACLE IN GOODYEAR PROPOSAL REMAINS FOREIGN EXCHANGE REQUIREMENTS. HE ACKNOWLEDGED THIS IS PRINCIPAL OBSTACLE FACING MANY PROPOSALS, PARTICULARLY GOODYEAR. SALEM ACKNOWLEDGED SECRETARY SIMON WAS CORRECT IN HIS ASSESSMENT OF EFFECT OF LONG DELAYS IN APPROVAL ON ATTITUDE OF OTHER COMPANIES, BUT POINTED OUT THAT CAREFUL ANALYSIS OF PROPOSALS PUT FORWARD WILL IN LONG RUN BE BETTER FOR ALL PARTIES. HOWEVER, HE SAID, WHILE COMPLETE ANALYSIS HAD NOT BEEN MADE, HE WAS PREPARED TO APPROVE GOODYEAR PROJECT AS INDICATION OF GOE DESIRE TO IMPELEMENT OPEN DOOR POLICY.

4. SECRETARY SIMON SAID THAT IN HIS VIEW THAT WOULD BE A VERY GOOD MOVE. IN SAME CONTEXT, HE MENTIONED US SATISFACTION OVER RECENT DECISION TO PERMIT TRANSFER OF LE 10 MILLION TO CHASE NATIONAL BANK. SECRETARY SIMON THEN ASKED ABOUT PRESENT FINANCIAL SITUATION AND GENERAL OUTLOOK. PRIME MINISTER SALEM SAID THAT LIQUIDITY REMAINED MAJOR OBSTACLE IN SHORT TERM. IN RECENT VISIT TO SAUDI ARABIA, HE SAID, HE HAD OBTAINED PROMISE OF DAVID ROCKEFELLER TO LOOK INTO POSSIBILITIES OF HELPING CONVERT SIGNIFI-

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CANT PORTIONS OF SHORT-TERM TO MEDIUM-TERM DEBT. IN ADDITION, DISCUSSIONS WITH IMF AND IBRD ARE TAKING PLACE WITH A VIEW TOWARDS MORE EXTENSIVE COOPERATION IN DEALING WITH EGYPT'S ECONOMIC DIFFICULTIES.

5. ON ITS OWN PART, PM ADDED, GOE IS TAKING NUMBER OF STEPS TO LIBERALIZE AND STIMULATE DOMESTIC ECONOMIC ACTIVITY. HE MENTIONED NEW LEGISLATION ON FOREIGN EXCHANGE, TAXATION, CUSTOMS, GOVERN-

MENTAL ORGANIZATION, ETC., ALL OF WHICH REQUIRED CONSIDERABLE AMOUNT OF TIME AND EFFORT. EGYPTIAN PEOPLE ARE FULLY BEHIND PRESIDENT SADAT AND FULLY SUPPORT HIS GOALS, BUT EVERYONE RECOGNIZES THAT ADDITIONAL TIME AND EFFORT WILL BE REQUIRED BEFORE ECONOMY HAS FULLY RECOVERED FROM EFFECTS OF YEARS OF CONCENTRATION ON WAR.

6. SIMULTANEOUSLY WITH CHANGES IN LEGISLATIVE FRAMEWORK, PRIME MINISTER SAID HE HAS ACTED TO AMELIORATE PRESENT CRISIS BY REDUCING RELIANCE ON SHORT-TERM BANKING FACILITIES, CUTTING SUBSIDIES BY 20 PERCENT AND PROVIDING GREATER OPPORTUNITY FOR PARTICIPATION BY PRIVATE SECTOR IN DEVELOPMENT EFFORTS. THESE STEPS, COUPLED WITH CANAL REVENUES, EXPECTED GAINS IN AGRICULTURAL PRODUCTION, AND HOPEFUL OUTLOOK FOR SIGNIFICANT OIL PRODUCTION IN TEXT FEW YEARS, ARE ALL ENCOURAGING SIGNS FOR ECONOMY SINCE CRISIS OF NEXT ONE TO TWO YEARS HAS BEEN PASSED.

7. MR. SEIDMAN CONVEYED GREETINGS FROM PRESIDENT FORD AND AN EXPRESSION OF CONTINUED STRONG SUPPORT BY THE UNITED STATES FOR EGYPT. AMERICAN INTENDS TO DO ALL IT CAN TO HELP, AS REQUESTS FOR APPROPRIATIONS HAVE INDICATED. THE PRIME MINISTER EXPRESSED HIS GRATITUDE, AND IN RESPONSE TO A QUESTION AS TO HOW HE VIEWED PRESENT PEACE PROSPECTS, STATED THAT WHILE SYRIA, THE PALESTINIANS AND LIBYA ARE ALL PREPARED TO SEE EXPEND ITS PEOPLE AND RESOURCES IN CONTINUED CONFRONTATION, PRESIDENT SADAT AND THE EGYPTIANS WANT PEACE. AS WITH ECONOMIC QUESTIONS, GOAL IS NOT EASY TO OBTAIN, BUT FULLY JUSTIFIES EVERY EFFORT MADE.

8. MEETING CONCLUDED ON DISCUSSION OF POLITICAL AND SOCIAL FACTORS WHICH MUST BE TAKEN INTO ACCOUNT IN EGYPT'S EFFORT TO MAINTAIN INTERNAL STABILITY.

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Margaret P. Grafeld
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